Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)	
	)	
Connect America Fund	)	WC Docket No. 10-90
	)	
A National Broadband Plan for Our Future	)	GN Docket No. 09-51
	)	
Establishing Just and Reasonable Rates for Local Exchange Carriers	))	WC Docket No. 07-135
	)	
High-Cost Universal Service Support	)	WC Docket No. 05-337
	)	
Developing an Unified Intercarrier Compensation Regime	))	CC Docket No. 01-92
Federal-State Joint Board on Universal Service		CC Docket No. 96-45
Lifeline and Link-up		WC Docket No. 03-109
Universal Service Reform – Mobility Fund		WT Docket No. 10-208

REPLY COMMENTS
of the
MINNESOTA TELECOM ALLIANCE

I. INTRODUCTION

The Minnesota Telecom Alliance (MTA) is a trade association that advocates and represents the interests of approximately 80 small, medium, and large companies that provide advanced telecommunications services, including voice, data and video to consumers throughout rural, suburban, and urban Minnesota. MTA member companies serve areas throughout the state and range in size from as few as 60 subscribers to over a million subscribers.

II. DISCUSSION

A. MTA members include RLEC companies that participated in the original RLEC proposal as well as Price Cap companies that participated in the ABC plan. MTA companies assert that the Consensus Framework offered the most reasonable approach that combined manageable constraints with opportunity for cost recovery.

The MTA supports the FNPRM comments filed by the National Exchange Carrier Association, the National Telecommunications Cooperatives Association, the Organization for Preservation and Advancement of Small Telecommunications Companies and the Western Telephone Association (the Rural Associations) on January 18, 2012, the comments filed by the Washington Independent Telephone Association, the Oregon Telecommunications Association, the Idaho Telecom Alliance, the Montana Telecommunications Association and the Colorado Telecommunications Association (the Western Associations) filed January 18, 2012 as well as the identified portions of the initial FNPRM comments of CenturyLink and urges the Commission to address the shortcomings of its Order to ensure that the broadband needs of all consumers can be met.[1]

B. The FCC Order, particularly those areas that deviate from the consensus framework, poses a series of cuts, caps, and constraints that will inhibit carriers' ability to invest in and maintain networks that are critical to the expansion of broadband in rural Minnesota.

Minnesota RLECs that have made the necessary investments to meet their customers longer term broadband needs have done so based on historical availability of support funding. They are now facing uncertainty regarding the ability to recover those investments under the FCC order. This uncertainty should be eliminated by "replacing the pulled plug" so that companies are allowed to recover reasonable amounts. The Commission should take action through the FNPRM to define and implement a sufficient, predictable and specific "broadband future" for RLEC-served areas to ensure that reasonably comparable services will *become and remain* available *throughout* all of rural America.[2]

Minnesota RLECs that have not completed their broadband build-outs are also facing uncertainty regarding the ability to fund the newly mandated broadband networks and

[1] See Rural Association Comments Initial comments filed on January 18, 2012
[2] Rural Association Comments p9

services. This uncertainty should be eliminated by a commitment to funding such broadband expansion and upgrades.

Because the Order does not provide a rural-specific sufficient and predictable forward looking CAF, it perpetuates uncertainty and risk. The gap between availability and affordability of services in rural and high cost areas has always been bridged by reasonable and rational support mechanisms and must continue to do so as broadband services are mandated. Under the Order as written, however, rural LECs and price cap carriers are faced with new broadband mandates without adequate support mechanisms to achieve them. Despite the substantial progress that these voice and broadband carriers have made in upgrading and deploying broadband networks in the past, the new mandates for 4MB downstream and 1MB upstream will require, in many cases, substantial investments in rural and high cost areas for which no business case exists without adequate USF support. [3]

The Order limits ROR LEC support by setting a baseline level and further imposes imposition of series of constraints on prior support mechanisms. By putting recovery of existing investments in jeopardy and constraining the ability to recover further investments in broadband networks, the likely effect of the order may actually be to undermine the principles established in the National Broadband Plan. A prime example of this is the FCC's premature decision to employ quantile regression methods to arbitrarily limit reimbursements of capital and operating expenses. As indicated in the Rural Associations comments, the FCC should reconsider this decision not only due to the concerns previously raised regarding unfair and unlawful retroactive application of such models to prior investments but also due to errors in the proposed regression models which will lead to serious distortions in universal support payments.[4]

MTA companies generally have embraced broadband and recognize that it is the future, however, the uncertainties are already impacting the advancement of broadband in Minnesota. For example, there have been reports by several MTA RoR ILEC members that they are planning to curtail broadband investment as a result of concerns about adequate recovery of the required investments.

[3] See Comments in Response to Further Rulemaking filed by Western Associations pp9-10
[4] Western Associations pp3-9

MTA also agrees that it is paramount that the Commission ensures that a sufficient cost model for CAF II funding in price cap areas in Minnesota are supported to fully enable the goals for rural broadband network expansion to be realized for the state. Two additional aspects of an appropriate solution include the Commission ensuring that (1) a provider's high-cost universal service obligations are limited to the geographic areas for which the provider is receiving the high-cost support; and (2) high-cost areas with an unsubsidized competitor are eligible for CAF support if the unsubsidized competitor is unable or unwilling to provide the required level of broadband service to all or most of the locations in the area. [5]

As indicated in the Rural Associations comments, the RLEC Plan satisfies statutory principles of universal service and provides the FCC with a reasonable template for a new broadband-focused RLEC CAF. In addition the RLEC plan is sensible, practical, can be accomplished within a reasonable budget and should be adopted by the Commission.[6]

Further, as also indicated in the Rural Association's comments, if the FCC does not adopt the RLEC Plan, at a minimum it should develop mechanisms that provide RLECs with sufficient and predicable CAF support for standalone broadband offerings and for conversions and upgrades to IP-enabled switching. The MTA also agrees with commentors that middle mile costs should be eligible for USF/CAF support.[7] MTA companies, like other RLECs, must connect to the Internet backbone at distant locations. These middle mile costs should be included in the CAF as they are a significant portion of the cost RLECs will face when deploying 4MB/1MB in rural areas.[8]

The FNRPM proposals threaten severe consequences for some carriers, and consumers that must be mitigated. Failure to do so will drive price increases that only force more customers away from wireline networks. An analysis of MTC companies indicates that over 15% have already or will need to raise local rates to reach the $10.00 rate floor and that over 55% will need to raise local rates to reach the $14.00 floor. Furthermore, all but a few will need to raise rates to reach a $17.00 floor. In addition it is anticipated that

[5] See CenturyLink Comments pp. 2-3
[6] See Rural Association Comments p. 9
[7] See Rural Association Comments, pp. 24-27
[8] See Western Association Comments pp. 11-12

additional rate increases will be need to be considered by many companies as a result of the 5% per year reduction included the RM calculation and the debilitating reductions of up to 40% or $20.00 per line/Mo in first year changes in HCLS, ICLS, LSS, and SNA support contained in the FCC initial order. It is highly unlikely that Minnesota consumers will see commensurate toll cost reductions to offset these significant local rate increases. As bad as these impacts are from the initial FCC order, the FNPRM proposals related to the reduction of support for carriers with some competitive overlap, decrease of eligible ICC recovery by some additional amount each year and the ultimate transition of other ICC rate elements to a price of zero, at best will make additional investments in broadband impossible for many companies, and in the worst cases threaten the their continued ability to service their debt.

C. The consequences will affect not only end-users and the companies, but also spill-over impacts related to employment and overall economic conditions in the state

A recent study by the University of Minnesota Extension provides an analysis of the economic contribution of rural telecommunications companies serving greater Minnesota that can be discussed. The results of the study were just published in Jan 2012, which found that the total economic contribution of the telecommunications industry serving greater MN in 2011 was $1.3B. A copy of the study is attached.

If the difficulties and uncertainties associated the FCC order are unresolved, they will certainly diminish the impact. Unless appropriate support is made available from CAF funding to both RoR and Price Cap companies, the rural consumers they serve will likely not have broadband available to them at rates comparable to consumers in urban areas.

MTA also agrees that it is critical for the Commission to address and adequately resolve the plethora of issues pending in the Petition for Reconsideration process to provide carriers with the certainty and predictability to enable effective broadband deployment plans. As part of that process, the Commission should address IP-to-IP interconnection for all providers, rather than to specifically require CAF recipients to provide IP-to-IP interconnection for voice service. Further, CAF recipients should not be subject to IP-IP interconnection and capacity support obligations for municipally-owned networks. [9]

III. CONCLUSION

There are many moving parts to the FCC order and FNPRM process. MTA member operators need time and greater certainty to be able to deliver the broadband services that have been mandated Time is also needed to educate consumers on those changes that will directly impact them.

As the Order and additional FNPRM impacts are resolved and understood the market must also have time to adapt. To achieve the goals of the National Broadband Plan, the Consensus Framework remains the best basis for the future, and it will help to ensure that carriers have predictable and sufficient funding that is essential to fulfill the mission of delivering advanced broadband services to rural consumers.

In contrast, the current Order has introduced levels of uncertainty that, if left in place, will likely inhibit the growth of broadband in rural areas.

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Respectfully Submitted,

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[9] See CenturyLink Comments pp. 3-4